

FISCAL NOTE

Bill #: HB0139

Title: Property insurance rate reduction
for certain fire resistant structures

Primary

Sponsor: Dave Gallik

Status: Second Reading

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

	<u>FY2002 Difference</u>	<u>FY2003 Difference</u>
Expenditures:		
General Fund	14,100	86,500
State Special Revenue	6,900	43,000
Revenue:	0	0
Net Impact on General Fund Balance:	(14,100)	(86,500)

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Significant Local Gov. Impact	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Technical Concerns
<input type="checkbox"/>	<input checked="" type="checkbox"/>	Included in the Executive Budget	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Significant Long- Term Impacts
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Dedicated Revenue Form Attached	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Family Impact Form Attached

Fiscal Analysis

ASSUMPTIONS:

Department of Natural Resources and Conservation

1. This bill provides an insurance premium reduction for property owners located within defined wildland/urban interface areas that have a certification stating that certain fire prevention precautions have been applied to their property.
2. Fire prevention precautionary measures for the wildland-urban interface can be determined by using guidelines provided by the Department of Natural Resources and Conservation (DNRC) and the Dept. of Justice, Fire Prevention & Investigation Bureau.

3. The Department of Natural Resources and Conservation currently provides inspections when requested by property owners through the use of department personnel or contracted services (fire departments or the private sector). DNRC is currently funded for 80 inspections per year.
4. This bill will require DNRC to provide field inspections to property owners upon request. Based on the existing number of homes in the wildland/urban interface, the department estimates that at least 93,500 property owners will meet the criteria to request a prevention inspection.
5. DNRC estimates that at least 200 additional qualifying property owners will request an inspection in FY 2002 and 1,270 owners will ask DNRC for an inspection in FY 2003. The average cost of each inspection will be \$100 plus expenses for printing and distribution of guidelines and forms (\$1,000 in FY 2002 and \$2,500 in FY 2003). The increased number of field inspections will result in an increased workload for the department.
6. DNRC will continue to perform the inspections and contract with fire departments and qualified private inspectors for all inspections beyond the current funding level.
7. Based on current statutory requirements (76-13-207), one third of the cost will be funded from fire protection assessment fees paid by private forest landowners.

FISCAL IMPACT:

	<u>FY2002 Difference</u>	<u>FY2003 Difference</u>
<u>Expenditures:</u>		
Operating Expenses	21,000	129,500
<u>Funding:</u>		
General Fund (01)	\$14,100	\$86,500
State Special Revenue (02)	<u>6,900</u>	<u>43,000</u>
TOTAL	\$21,000	\$129,500
<u>Revenues:</u>		
State Special Revenue (02)	6,900	43,000
<u>Net Impact to Fund Balance (Revenue minus Expenditure):</u>		
General Fund (01)	(14,100)	(86,500)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

DNRC may occasionally need to contract with local fire departments to conduct the field inspections. Those fire departments that agree to participate will be paid \$100 per inspection.

LONG-RANGE IMPACTS:

1. DNRC estimates that landowners could request more than 1200 field inspections each year to have their property certified. If insurance companies require annual re-inspections, the department's inspection workload will steadily increase as the number of re-inspections is compounded onto new inspection requests. In addition, the annual number of inspections will increase as a result of the state's increasing population and more people building in the wildland/urban interface areas. This would result in a continuing long-term general fund commitment. In addition, this bill would necessitate an increase in the fire assessment rate charged to private forest landowners.

TECHNICAL NOTES:

1. Paragraph (4), insofar as it requires the promulgation of guidance in cooperation with other governmental entities, may be subject to the environmental analysis requirements of the Montana Environmental Policy Act (MEPA), Title 75, Chapter 1, part 1, MCA 1999. The District Court for the First Judicial District recently held, in Montana Environmental Information Center, Inc. et al. v. DNRC (BDV-2000-396), that agency cooperation with a local government in the development of a land use plan is subject to MEPA analysis. The same rationale may be applicable to the cooperative development of certification criteria. Additionally, currently pending before the same court in Friends of the Wild Swan, Inc., et al. v. DNRC (BDV-2000-369), is a case in which the Plaintiffs have alleged that the issuance of agency guidance is equivalent to a rule under the terms of the Montana Administrative Procedures Act (Title 2, Chapter 4, part 1, MCA 1999), thus requiring rule-making and a MEPA analysis. A decision is expected in that lawsuit within the next 30 days.
2. Paragraph (5), insofar as it requires rule-making, will be subject to the environmental analysis requirements of the Montana Environmental Policy Act (MEPA), Title 75, Chapter 1, part 1, MCA 1999.